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Aquino's Assassination: Implications for Stability in the Philippines

Special National Intelligence Estimate

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**AQUINO'S ASSASSINATION:
IMPLICATIONS FOR STABILITY
IN THE PHILIPPINES**

Information available as of 15 September 1983 was
used in the preparation of this Estimate.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and the Treasury.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

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SCOPE NOTE

Benigno Aquino's assassination in Manila on 21 August 1983 has triggered new concerns both in the United States and abroad about the Philippines' near-term political stability. US security interests go beyond concern about access to Subic Bay Naval Base and Clark Airfield. US commercial banks have some \$6 billion in loans outstanding to the country and US private investment totals \$1.6 billion. [redacted]

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This Special National Intelligence Estimate focuses on the political and economic repercussions since the assassination and the ability of the Marcos government to function effectively over the next six to nine months. During this period, President Reagan is scheduled to visit Manila, and the Philippines will hold National Assembly elections. [redacted]

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KEY JUDGMENTS

The Marcos government has weathered the initial storm over Benigno Aquino's assassination, and its prospects for continuing to do so are reasonably good over the next few months. Aquino's death, however, will leave the domestic political environment, the country's external finances, and Philippine foreign relations unsettled for some time:

- A fair contest in the May 1984 National Assembly elections would be a major step in liberalizing politics and revitalizing the center of the political spectrum. However, opposition groups are weighing plans to boycott the elections and engage in civil disobedience instead of participating.
- The assassination could sour the government's already shaky external financial position, resulting in payments arrearages on the \$23 billion foreign debt. Even if the government handles financial decisions adroitly during the next six to nine months, foreign debt rescheduling now appears likely.
- The assassination has left government credibility severely shaken, and a commission appointed by Marcos to investigate Aquino's death is unlikely to restore public confidence. The full story behind the assassination remains unknown. Three possibilities as to the responsible element are: the government itself, Aquino's enemies from his home province, or the Communist New People's Army. Fragmentary evidence points to some element of the military, but the Intelligence Community cannot make a judgment at this time about who bears ultimate responsibility. (s NF)

Manila expects its relations with Washington to be adversely affected by the Aquino assassination over the short term:

- Manila fears that President Reagan will cancel his scheduled November visit at a time it needs the legitimizing effects that such a visit would confer.
- Manila almost certainly expects the recently concluded review of the US-Philippine Military Bases Agreement to undergo intensive scrutiny when the US Congress considers the \$900 million assistance package next year.

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- Manila probably expects increased Congressional criticism of its human rights policies. Ruling party officials already feel domestic pressure to make concessions to opposition groups, and they probably anticipate additional pressure from Washington.
- Manila may intensify its recent efforts to obtain emergency balance-of-payments assistance from Washington even though senior government officials, including Imelda Marcos, have already been told that Manila does not qualify for some forms of assistance.

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Although the ruling party's strong political machine and the government's extensive security apparatus are capable of dealing with opposition activity and the Communist insurgent threat in the months ahead, Aquino's assassination and its aftermath have intensified long-standing concerns about the Philippines' stability:

- Communists may be the main beneficiaries of the assassination. They have already stepped up propaganda efforts in an effort to capitalize on Aquino's death, and these are producing gains in recruitment among the young. Over half the population is under 18 years of age.
- Marcos's health problems could recur. Even the suspicion he is in failing health will renew succession jockeying at the highest levels of the ruling party. An orderly succession thus remains in serious question.
- Unless he is implicated in Aquino's assassination, General Ver will remain the dominant figure in the defense establishment. He and the military more than ever figure to be key players in the post-Marcos era.
- A consequence of the country's foreign debt problems is that the economy will have difficulty recapturing its former growth momentum in the years ahead, complicating the domestic political picture.

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DISCUSSION

Recent Developments

The Assassination of Aquino

1. The assassination of opposition leader Benigno Aquino has raised new questions both at home and abroad about Philippine political stability and a possible erosion of President Marcos's ability to manage the domestic political environment. Aquino's death comes at a time when Filipinos have begun to prepare for the 1984 National Assembly elections—the first since interim legislative elections in 1978. It has focused international attention on the Philippines' longstanding problem of weak political institutions and chronic succession jockeying, revived international discussion of the morality of Marcos's rule, and renewed debates about the increasing concentration of power in the hands of the small circle surrounding him. The economy also is experiencing severe financial strains and high unemployment, and domestic speculation about Marcos's health is rife.

2. The procession of Aquino's body to and from his home in Tarlac Province and the funeral procession both featured an unprecedented outpouring of public sympathy. Press reports confirm that millions of Filipinos participated in these events, making them the largest public gatherings since martial law was imposed in 1972. Each carried distinctly antigovernment overtones.

3. Philippine opposition leaders have expressed their bitterness and frustrations with unprecedented vehemence and have made no effort to conceal their suspicion of government complicity in Aquino's assassination. (See inset.) Reporting indicates that the majority of the political opposition—and possibly the majority of the population—shares this perception. (See annex A.) Although opposition charges that Marcos is polarizing the political environment by driving Filipinos to the far left of the political spectrum are not new, they are now being repeated with new conviction.

Who Shot Aquino?

Three theories have emerged about Aquino's assassination, but there is no definitive evidence that would confirm any one of them. The first theory is that one of Aquino's numerous economic rivals or political enemies from Tarlac Province hired Aquino's assassin for revenge. This account is advanced by some sources of the US Embassy. The second theory is that the Communist New People's Army engineered Aquino's death to bring down the Marcos government.

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International attention since the assassination has focused, however, on the possibility that the government engineered Aquino's death. Most of these stories argue that a senior government official, possibly one with access to the First Lady or President Marcos, orchestrated Aquino's death unilaterally in the belief it would serve the President's interests. Many believe that such a plot could have been designed by armed forces personnel. It is argued, for example, that the assassin had extraordinary intelligence data to aid him in his mission (such as foreknowledge that Aquino would be diverted by security guards from the ramp most disembarking passengers use), suggesting government complicity.

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Alleged eyewitness accounts claiming that government security forces killed Aquino have been discredited. Similarly, we have no evidence that a film depicting the entire assassination exists, as charged by some journalists.

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It is possible that the true story behind Aquino's assassination will be uncovered by Philippine authorities. They appear to be focusing on fragmentary evidence that points to the military. However, at this juncture, the Intelligence Community cannot make a judgment about who bears ultimate responsibility.

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4. The Marcos government is attempting to absolve itself of guilt in Aquino's death, but without much success. We believe the government started its investigation of the murder with some vigor, but it has handled public relations poorly. An independent commission of inquiry along the lines of the Warren Commission postponed its first meeting three times, selected a lawyer with close links to the ruling party as its deputy general counsel, and has had great difficulty

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filling its membership with credible public figures. Filipinos appear to expect little from the investigation, and popular views of the commission's potential for independent inquiry are polarized along the lines of existing political loyalties. [redacted]

5. For its part, the government is blaming Communist terrorists for Aquino's death. Most Filipinos, after hearing the government blame the Communist Party of the Philippines (CPP) and its military arm, the New People's Army (NPA), for a wide range of crimes during the last several years, regard this charge with skepticism. Nonetheless, we agree with the government's contention that the Communists have much to gain from Aquino's death. Stepped-up activity by the National Democratic Front, the overtly non-Communist front organization of the CPP, is already in evidence on college campuses. We see no evidence yet of increased activity by the NPA in the countryside since the assassination, but this would become apparent only after several weeks. [redacted]

Factors for Concern

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6. Aquino's death has overshadowed several other recent and possibly more serious developments bearing on domestic stability; concern about the succession, the effectiveness of the government, and the economy has been growing since early 1983. [redacted]

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7. Succession jockeying appears to have intensified as a result of health problems Marcos experienced in early August. We do not know all of the details of Marcos's illness, but it appears to have been his most serious medical episode yet and left some members of the ruling elite badly shaken. (See inset.) Palace security measures were greatly increased, the government began a misinformation campaign which claimed Marcos had gone into seclusion to finish writing two books, and Marcos remained inaccessible to his senior deputies and the US Ambassador for nearly two weeks. [redacted]

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8. Several close associates of the President apparently assumed the worst about his condition. Long-time associate Eduardo Cojuangco reportedly moved to an accommodation with Imelda Marcos, formerly an economic and political rival, and Defense Minister Juan Ponce Enrile attempted a similar maneuver. Despite constitutional provisions that established an Executive Committee to serve as an interim government, many politicians inside the ruling party assumed Imelda Marcos would take the reins of power in the event the President became incapacitated. [redacted]

[redacted] See annex B.)

9. Serious infighting had already surfaced in the defense establishment. Longstanding tensions between Defense Minister Enrile and General Ver (reportedly Marcos's cousin) broke out into open conflict in late July when, [redacted]

[redacted] President Marcos summoned Enrile into his office to question his loyalty and to inform him of an impending reorganization of the defense establishment. [redacted]

10. Marcos's appointment of Ver as Chief of Staff of the armed forces in 1981 has itself been the source of rifts in the military. We believe the President appointed Ver because of his unquestioning loyalty, despite the fact that Deputy Chief of Staff Fidel Ramos was probably the favorite of career military officers. Divided loyalties within the military continue. Since Ver assumed the post, however, he has consolidated control of the military by placing officers loyal to him in key military units and in headquarters staff positions. [redacted]

11. Marcos's health problems and Aquino's assassination appear to have complicated internal debate about how to deal with the country's financial problems. The government invited several US financial consultants to examine Central Bank financial records before Aquino's death, and they warned Manila that a restructuring of the \$23 billion foreign debt would be required to prevent payments arrearages some time in the next year. Before the release of comprehensive data on the country's short-term foreign debt early in 1983, most foreign financial institutions had assumed that government finances were reasonably well managed despite broader problems with the country's external accounts. The new data, however, doubled previous estimates of the short-term debt, and we

believe it now totals nearly \$9 billion. Central Bank liquidity, moreover, is severely strained and the Bank's own short-term debt of \$2.2 billion requires immediate attention if the government is to avert a foreign exchange crisis. (See table 1.) [redacted]

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12. Manila has implemented new financial austerity measures in an effort to cope. Fourth-quarter 1983 government spending will be sharply cut back, and the 1984 government budget plans a 34-percent reduction in capital outlays. Nonetheless, Manila's 8-percent devaluation of the peso in June appears to have been too modest to ease pressures on Central Bank foreign exchange reserves. The Bank has been forced to sell \$100 million in gold since May and reportedly ran

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Table 1
The Philippines: The Foreign Debt
at a Glance, June 1983

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| | |
|----------------------------|---|
| Total | \$18.5 billion, excluding interbank borrowing; \$22.7 billion otherwise. |
| Medium- and long-term debt | \$14 billion. Two-thirds owed to private banks, 40 percent at floating rates. |
| Term structure | Average maturity 10 years. \$1.3 billion due this year, over \$1.5 billion in 1984. |
| Interest service | \$1.4 billion in 1983, over \$1.5 billion next year. |
| Short-term debt | \$4.5 billion in revolving credits and other trade financing. Commercial bank short-term debt slightly over \$2 billion. Central Bank owes about \$2.2 billion. |
| Interest service | About \$700 million annually, net of Central Bank reserve asset earnings. |
| Central Bank liquidity | \$1.7 billion in foreign exchange reserves, about two months' imports. \$592 million in gold holdings. Liquidity net of short-term obligations: \$153 million. |
| Distribution of debt | US banks: \$6 billion. Largest US nine hold about \$4 billion. Non-US commercial banks hold about \$5 billion, of which about \$2 billion owed to Japanese banks. US Government holds over \$900 million, Japan just over \$800 million, with multilateral creditors holding about \$2.5 billion. |
| Total debt service | About \$3.4 billion in 1983, or roughly 8 percent of GNP, 64 percent of merchandise exports. |

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down foreign exchange reserves by \$200 million in August to meet its obligations. In the meantime, first half balance-of-payments data show that the current account deficit reached \$1.6 billion, matching the deficit recorded in the same period in 1982—when it reached a record 9 percent of GNP for the year. (See table 2.)

Near-Term Prospects for the Marcos Government

13. Aquino's assassination adds a serious, and possibly critical, complication to Marcos's management of domestic politics, the economy, and foreign relations during the next few months.

Meeting the Opposition Challenge

14. On the domestic front, Marcos must prepare for National Assembly elections next May. The elections

will be an internationally recognized test of his willingness to liberalize domestic politics and to bolster the center of the political spectrum. After several months of debate within the ruling party, Marcos has yet to decide on election rules and party accreditation. His challenge is to find a way to simultaneously ensure a victory by the ruling party, induce participation by the moderate opposition so as to legitimize the victory the ruling party is likely to win, and appear fair in setting the rules of the game.

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15. senior ruling party officials say they are considering gestures—such as unlimited party accreditation—designed to bring the opposition into the elections and possibly into the government. One alternative under consideration is awarding the opposition several cabinet portfolios. Party officials say they are under

Table 2
The Philippines: Balance of Payments

| | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 a |
|-----------------------------------|---------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Current account | −1,101 | −828 | −1,172 | −1,576 | −2,072 | −2,589 | −3,347 | −3,000 |
| Merchandise trade | −1,113 | −840 | −1,307 | −1,541 | −1,939 | −2,667 | −2,805 | −2,550 |
| Exports, f.o.b. | 2,519 | 3,075 | 3,425 | 4,601 | 5,788 | 5,733 | 4,995 | 5,300 |
| Of which: | | | | | | | | |
| Coconut products | 537 | 729 | 812 | 965 | 759 | 756 | 647 | 550 |
| Sugar | 451 | 527 | 213 | 238 | 474 | 609 | 324 | 400 |
| Copper concentrates | 270 | 280 | 250 | 330 | 679 | 544 | 340 | 500 |
| Forest products | 268 | 261 | 324 | 484 | 433 | 383 | 340 | 400 |
| Manufactures | 573 | 770 | 1,076 | 1,520 | 1,135 | 1,294 | 1,050 | 1,245 |
| Imports, f.o.b. | 3,632 | 3,915 | 4,732 | 6,142 | 7,727 | 8,400 | 7,800 | 7,750 |
| Oil | 936 | 1,019 | 1,030 | 1,385 | 2,248 | 2,458 | 2,396 | 2,190 |
| Others | 2,696 | 2,896 | 3,702 | 4,757 | 5,479 | 5,942 | 5,404 | 5,560 |
| Services (net) | −257 | −248 | −178 | −390 | −555 | −392 | −992 | −900 |
| Interest payments | −258 | −302 | −440 | −591 | −846 | −1,101 | −1,811 | −2,200 |
| Others | 1 | 54 | 262 | 201 | 291 | 709 | 819 | 1,300 |
| Transfers (net) | 269 | 260 | 313 | 355 | 422 | 470 | 450 | 450 |
| Capital account | 1,151 | 963 | 1,082 | 997 | 1,720 | 2,029 | 2,212 | 2,150 |
| Direct investment (net) | 144 | 216 | 171 | 99 | 49 | 407 | 259 | 300 |
| Medium- and long-term loans (net) | 1,014 | 859 | 908 | 1,061 | 1,044 | 1,185 | 1,252 | 1,600 |
| Short-term loans b (net) | −87 | −90 | 83 | −193 | 446 | 37 | 423 | 250 |
| Balance | 50 | 135 | −90 | −579 | −352 | −560 | −1,135 | −850 |

a Projected.

b Including errors and omissions.

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considerable pressure from the Church and business community to promote reconciliation in the aftermath of the assassination, but it remains to be seen how far the ruling party is prepared to go. In any case, given ruling party control of the election machinery, the party is probably strong enough to withstand the opposition challenge even with more liberal election rules. [redacted]

16. Since the assassination, the moderate opposition appears as disorganized as ever and without a replacement for the charismatic Aquino. Press reports say that some opponents of the regime are planning civil disobedience, and [redacted] say the opposition may boycott the elections. This would cost Marcos the legitimizing factor he so dearly wants, but it would also ensure the moderate opposition's irrelevance in the country's near-term political future. [redacted]

17. A more formidable challenge for Marcos could come from the radical opposition. Student demonstrations have occurred already and can be expected to be repeated. Student protests have degenerated into violence on two occasions, resulting in the shooting death of one student after Aquino's funeral. Government security forces are capable of dealing with this sort of unrest, but an overreaction by them could prompt a more serious public backlash. During the funeral, Manila went to extraordinary lengths to prevent this from happening, and ordered police and Constabulary forces to treat the public "with kid gloves" even when provoked. Nonetheless, the anniversary of the imposition of martial law on 21 September is a potential flashpoint; Marcos's birthday on 11 September passed without incident. [redacted]

18. Increased violence in the countryside by the NPA appears likely, in any case, as National Assembly elections approach. Government security forces can almost certainly contain the insurgent threat, but new NPA initiatives would increase the likelihood of a strong response by the armed forces, and this, as in the past, could lead to abuses of civilians. A side effect of this action would be a further loss of popular support for the government. Simultaneous offensives by the NPA, radical students, and radical church workers, moreover, could tax government security forces. [redacted]

Reasserting Control of the Government Apparatus

19. With his recent health problems apparently under control, Marcos is likely to reassert his authority

over government business quickly. If his track record is any guide, he will resume regular public appearances to dispel continuing rumors about his health. [redacted] 25X1

20. He seems certain to complete his shakeup of the defense establishment. According [redacted]

Marcos's reorganization has already sharply reduced the authority of the Ministry of Defense in favor of the Chief of Staff. Marcos removed Enrile's ministry from routine military decisionmaking, such as determining troop deployments, assignments, and promotions, and strengthened the President's command of the armed forces via the Chief of Staff. Ver was given control over most major military decisions and reports directly to the President, who can approve or disapprove of his actions. [redacted]

21. Marcos must still weather the investigation into Aquino's death. The government will probably have difficulty absolving itself of blame in the eyes of most Filipinos, regardless of the investigation's findings, and this will complicate the ability of the government to resume business as usual. Failure to absolve the government of blame would at the very least keep international attention focused on Marcos's human rights policies as National Assembly elections approach. [redacted]

Averting Financial Crisis

22. The government's most formidable challenge in the weeks ahead will be averting a financial crisis that could severely disrupt an already weak economy. According [redacted] many foreign commercial creditors have resigned themselves to a rescheduling of the Philippines' foreign debt and are cutting their loan exposure to minimize losses. This, and the tendency of smaller US and West European banks to refuse to roll over maturing credits because of concerns about stability, could compound the government's liquidity problems. [redacted]

23. The government must still complete its internal debate about how to deal with the liquidity crisis. [redacted] report that several alternative ways to reschedule the debt are being considered. A rescheduling in the next few months, however, would prove especially embarrassing to the government as a visit by the US President and elections approach. Manila could decide to proceed through the end of the year without rescheduling, but such a risky strategy would rapidly deplete Central Bank reserves. The government,

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moreover, will face new problems when the Central Bank's traditional foreign borrowing season approaches in January. If the Bank finds the international market unreceptive to a new jumbo loan proposal—as seems likely—debt rescheduling would not be far off.

Relations With the United States

President Reagan's Visit

24. Marcos looks forward to President Reagan's visit to Manila in November. He is aware that considerable international attention will be focused on the visit, and he had expected it to enhance his international status as a statesman and put the stamp of legitimacy on his government at home.

25. Marcos now almost certainly fears that events connected to Aquino's death may force the cancellation of the visit. He is aware of the debate in the United States over his human rights record in the aftermath of Aquino's death. He is also certainly aware that some US officials are arguing that the President should not associate himself too closely with Marcos and should not risk the uncertain security situation in Manila. A cancellation of the visit, however, would seriously diminish the credibility of the Marcos government at home and reduce its effectiveness at a time important decisions must be made about economic management and domestic politics.

also suggest that many US banks would interpret a cancellation as a sign that Washington lacked confidence in the Marcos government, leading them to withdraw credit lines.

26. At the same time, the visit poses some risks for Marcos. Student radicals have already met to plan demonstrations for President Reagan's visit. The CPP reportedly has said that it would consider temporary cooperation with moderate opponents of the government in order to embarrass Marcos on such an occasion, although this probably portends no lasting alliance between the regime's moderate and radical opponents. In any case, a visit by the US President will rekindle some of the antigovernment sentiment that was evident during Aquino's funeral, and many Filipinos will use the event to protest close links between the United States and Marcos.

Fallout From Congressional Review of the MBA

27. Marcos almost certainly understands that his US-based opponents will press lobbying efforts with the US Government to cool relations with Manila. Anti-Marcos demonstrations at the United Nations and in several US cities have already occurred since Aquino's assassination, and Marcos probably believes that this sort of action will intensify with the US Congress in session. Marcos probably fears that the recently concluded review of the US-Philippine Military Bases Agreement will come under special scrutiny when Congress examines the \$900 million base assistance package next year. He regards the package as something of a victory, because it nearly doubled the amount in the 1980-84 agreement and allowed him to demonstrate to a domestic audience that he could make Washington treat him as an equal in the US-Philippine security relationship. He would react strongly to any Congressional attempt to alter the assistance package.

Expectations of US Financial Assistance

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28. Manila wants a bridge financing arrangement from Washington that would tide it over until exports pick up some time in 1984.

the government's ability to pay its oil bills was in doubt, and that only US financial assistance would avert default. Although the release of some US aid funds has been accelerated, Manila almost certainly knows that it does not qualify for special US financial assistance programs, such as the Exchange Stabilization Fund.

29. Manila's problems with the IMF may make a rescue package difficult to put together, and at the same time may intensify Manila's efforts to secure US financial assistance. The Fund has determined that Manila is out of compliance with the conditions of the current \$375 million standby loan because of excessive credit to the public sector. The Fund will insist that Manila make major changes in economic policy before releasing further tranches under the agreement, and, even then, no new funds will be available until mid-November. For their part, foreign commercial creditors are likely to interpret Manila's trouble with the IMF as a sign the Fund disapproves of Philippine economic policy. If they cut back credit lines as a

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result, the effects could quickly sour the government's chance of averting a financial crisis. [redacted]

The Elections and Beyond

30. The factors that often produce political upheaval in developing countries—authoritarian rule, insurgent movements, skewed income distribution, government corruption, a sagging economy beset with financial problems, highly personalized political institutions—have long been present in the Philippines. They have yet to topple a Philippine government, however, and the chemistry may never be right. Marcos retains a loyal security apparatus and an extensive political network, and many Filipinos still look to local party officials for solutions to their problems. In the aftermath of Aquino's death, it is thus too soon to say that the assassination has contributed the critical catalyst for widespread unrest. [redacted]

31. Nonetheless, Aquino's death will permanently change Philippine politics. Even if the moderate political opposition does not accept the CCP's reported offer of support so as to maximize the damage that Aquino's death will do to the government, new bridges among Marcos's opponents appear certain to be built and this does not bode well for the stability of the Marcos government later in the decade. US Embassy reporting says that Communists in the National Democratic Front are making considerable progress through propaganda approaches to Philippine youth. The Front is arguing that Marcos plotted Aquino's death and, therefore, political activism within the bounds of the law is pointless. The Front claims the radical left is the only remaining alternative, and [redacted] believes that, whether the government had any role in the assassination or not, this message is winning the left new recruits. This is especially disturbing from the standpoint of long-run stability, because half the Philippine population is under 18 years of age. [redacted]

Deviations From Our Baseline Assessment

32. Despite the aftermath of the Aquino assassination, rumors about Marcos's health, infighting in the defense establishment, a growing Communist insurgency, and the economy's woes, the Marcos government seems likely to weather the next year or so. The ruling party's political machine is strong and the opposition remains divided. Even if the ruling party

lost next May's elections, moreover, Marcos himself does not face reelection until 1987. [redacted]

33. Several developments could change this baseline assessment for the worse, however:

— Marcos's health could take a turn for the worse. If it deteriorates sharply, far-reaching changes in the country's political leadership could occur very quickly, and we cannot be certain that constitutional provisions for the succession would hold up. Perceptions that Marcos is not fully in command of events could exacerbate infighting as key interest groups scramble to protect their interests. The loyalty of the business community is especially critical. [redacted] suggests that the military is completely loyal to Marcos, but, because its role, if any, in Aquino's death is not yet known, it is uncertain how senior armed forces officials would react if implicated in the investigation.

— The disruption to the domestic economy that would ensue from a financial crisis would seriously complicate the political environment. The timing and circumstances of a financial crisis would depend on the policy decision processes of private foreign banks and Manila's technocrats—both highly fluid. Financial data, however, strongly suggest some sort of liquidity crisis before next May's elections. If it does occur, the immediate effects on the economy will be severe and include sharply reduced imports, new financial problems for the private sector, slower economic growth, and higher unemployment. The effects will be especially severe if a rescheduling is not undertaken before Central Bank reserves are depleted. Key interest groups, in any case, stand to be adversely affected at a time that confidence in the government has already been seriously shaken. Of all of the things that could go wrong for Marcos, this is the most likely. [redacted]

34. The key to a political crisis will be whether Filipinos react by attacking the Marcos government. There is no precedent for such an action, and there has been little violence in the aftermath of the Aquino assassination. There remains considerable antigovernment sentiment, however, and we cannot say for certain that there is no sequence of events that could trigger widespread unrest. [redacted]

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ANNEX A

MARCOS AND AQUINO: A RETROSPECTIVE VIEW

1. Much of Aquino's personal political history—and thus some of Marcos's possible motives for neutralizing him politically—has been obscured in the confusion following the assassination. Although the press has characterized Aquino as a man committed to democratic processes and integrity in government, his political career shows that he was an opportunist, was frequently duplicitous, and was consumed with ambition to become president.

2. In many ways, Aquino and Marcos closely resembled each other, and as a result each recognized the danger the other represented. Both took the expedient, if not ruthless, approach to their political and personal relationships throughout their political careers. Both switched parties when they found it advantageous. Both came from provinces with a tradition of political violence, and both took part in it. Before martial law, Aquino wrote in a June 1972 newspaper article that the Philippines needed "a man on a white horse" to provide discipline and guidance, but Marcos had the same vision and acted first.

3. The enmity between the two men was deep, personal, and longstanding. A backroom attempt to reach an accommodation in 1966 degenerated into a



President
Marcos

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heated, fist-shaking, shouting match. In 1968, Marcos publicly accused Aquino of being a Communist collaborator and suggested that the government might indict him for subversion. In a 1968 speech, Aquino attacked Imelda Marcos as a new Evita Peron and published a paper with a photo of a bejeweled Imelda next to a malnourished Filipino child. Enraged, Marcos called Aquino a "congenital liar" and told him to "spare women and children." Relations never improved from that low point.

4. As part of the current political scene, we believe that Aquino had the best chance of leading a successful presidential campaign. Although technically ineligible for the presidency because he no longer resided in the Philippines, the 50-year-old Aquino still had wide popular appeal, the backing of all opposition leaders, and the savvy to unite rival interest groups. After 1978, when he ran for a parliamentary seat from a jail cell, his name attracted a large following for his party among the urban middle class. Aquino's long imprisonment by Marcos and his three-year exile in the United States gave him a moral appeal to many voters, according to a leading Philippine scholar.

5. Aquino's rare ability to attract many different, even rival, interest groups explains his predominance

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Benigno Aquino

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among the divided opposition, as well as the magnitude of Marcos's efforts over the years to neutralize him.

Aquino worked to persuade Filipinos and Americans that he alone could unite the opposition and prevent the Philippines from tumbling into violence. He recently spoke of the need for a "national reconciliation." He carried on a dialogue with the Marcos government as though he were an opposition spokesman, and he succeeded in creating a popular image of himself—especially in the United States—as the indispensable man who had to agree with any opposition dealings with the government.

6. Although many of his detractors considered him opportunistic and shallow, his success in communicating with people was unquestionable, and thus his political threat to Marcos was real. Aquino's carefully cultivated role as a key opposition figure enabled him to play the game he knew best, but may also have contributed to his death. Like many Philippine politicians—including Marcos—he built his career by cultivating patrons and negotiating alliances. Even in a system where opportunism is an accepted way of life, however, Aquino was considered an untrustworthy ally, and he switched parties twice with apparent ease.

7. Aquino consistently miscalculated his ability to outmaneuver Marcos. When his 1975 hunger strike failed to pressure Marcos into releasing him, Aquino engineered a face-saving retreat. In December 1979, Marcos temporarily released Aquino to encourage the opposition's participation in the 1980 local elections and give an aura of legitimacy to the exercise. Aquino believed political pressure would force Marcos to release him permanently and was surprised when Marcos detained him again after the elections.

8. Nonetheless, next to Marcos, Aquino was the most important man in Philippine politics. Although he lived in the United States following heart surgery, he was in constant contact with both government and opposition elements in the Philippines. His public statements were carried, and often attacked, by the government-controlled press, and unceasing speculation about his eventual return provided grist for Philippine rumor mills. His political aura was such that during the June 1981 presidential election, Marcos, who was assured certain victory, prevented only one opponent—Aquino—from running against him.

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ANNEX B

THE KEY SUCCESSION PLAYERS

1. In the immediate post-Marcos period, we believe Marcos's successor will emerge from a select group of people in the current political hierarchy. The winner will be the one able to manipulate existing constitutional arrangements to his or her advantage. Because of Marcos's policy of creating competing power centers, however, no single individual at present commands sufficient military, economic, and political resources to consolidate power quickly. More likely, alliances between two or more of these individuals will produce a new government whose durability would be tested over time. We believe the key players will be First Lady Imelda Marcos, Defense Minister Juan Ponce Enrile, Armed Forces Chief of Staff Fabian Ver, Deputy Chief of Staff Fidel Ramos, and Prime Minister Cesar Virata.

Mrs. Marcos's influence in the military is unknown, but, [redacted] she appears to be trying to neutralize her opponents in the military while dispensing privileges and largess to her favorites.

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Imelda Marcos

2. If Imelda Marcos can retain the support of General Ver, she will have the best chance of succeeding her husband. Because of her relationship to the President, the political skills she has developed over the years, and the resources she commands, Mrs. Marcos is a major force in the ruling party's political machine. With a personal fortune estimated at \$1 billion, she has the financial clout to keep traditional Philippine patron-client politics operating to her advantage. Unless the ruling party collapses in the immediate post-Marcos period, her extensive network of supporters in the bureaucracy, her many outstanding political markers, and her sheer energy will be a near-unbeatable combination in a presidential election she almost certainly would control.

3. Nonetheless, her bid for power would be strongly contested, and she would need to make compromises with the technocrats and the military—two groups in which she has limited support—in order to remain in power. She is probably more willing to curry favor among the officer corps than the technocrats, whom US officials say she regards as little more than uncreative accountants lacking political vision. The extent of

Prime Minister Cesar Virata

4. Although speculation was rampant that President Marcos was grooming Virata as his successor when he appointed him Prime Minister in 1981, we believe Virata's political position has weakened considerably since Mrs. Marcos became a member of the Executive Committee last year. Despite his involvement in a broad range of policy issues as head of the Executive Committee and Finance Minister, the ruling party's attacks on Virata's economic policies and his lack of a political power base make his accession to the Presidency unlikely. Nonetheless, Virata and the technocrats he represents will be courted by the presidential aspirants because their expertise is crucial to the confidence of foreign investors and the international financial community. His position as head of the interim government, moreover, will be bolstered if the military supports the Executive Committee, as the Constitution requires.

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General Fabian Ver

5. As head of the armed forces, Ver will be a critical actor in the immediate post-Marcos period. Since he became Chief of Staff in 1981, Ver has consolidated his control over the armed forces by placing loyalists in most key positions in the military establishment. Because we are unable to measure the degree to which Ver's politicization of the military promotion system may be creating an undercurrent of resentment among professional soldiers, however, we cannot say for certain that Ver holds the key to the armed forces. [redacted] Ver is utterly loyal to President Marcos and committed to protecting the First Family. They are less certain that this loyalty

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will translate into political support for Mrs. Marcos. In any event, US Embassy officials in Manila do not believe that Ver has presidential ambitions of his own and do not think him intellectually capable of handling the presidency. [redacted]

Defense Minister Juan Ponce Enrile

6. Although Enrile has tremendous political and economic assets to bring to bear in a bid for power, we do not believe his chances for success are good. He does not command much support in the officer corps,

[redacted] despite his position as Defense Minister. Enrile's political support in his home base of Central Luzon, moreover, is weak and does not extend nationally, according to Philippine officials. We believe attempts by Enrile to cultivate a greater political following would be hampered by his identification with the imposition of martial law, last year's crackdown against the Catholic Church, coconut marketing policies that are unpopular in rural areas, and by the personal enmity of Mrs. Marcos. [redacted]

7. Enrile will still be a force to contend with, however, because of his personal wealth and the financial assets of close business associates which Enrile may be able to call on in a presidential bid.

Because money is a critical factor in the traditional patron-client system, these resources may translate yet into a broader base for Enrile in the post-Marcos period. Perhaps with this in mind, Enrile is keeping his lines of communication with the moderate opposition open. [redacted]

Enrile also has supporters in the ruling party and may represent a palatable choice for those members of the elite who find themselves in the camp of "anyone but Mrs. Marcos." [redacted]

General Fidel Ramos

8. Although Ramos probably does not covet the presidency, he will make an attractive ally in the succession period because of his untarnished professional image and the military and police resources he controls. [redacted] believe that he is the only officer

who has developed an independent power base in the armed forces based on personal competence and professional respect. As a result, Ramos can also claim some support among moderate opposition politicians. He had indirect links to Benigno Aquino through their mutual friend, businessman Enrique Zobel. Most observers believe that Ramos will support constitutional mechanisms for succession. [redacted]

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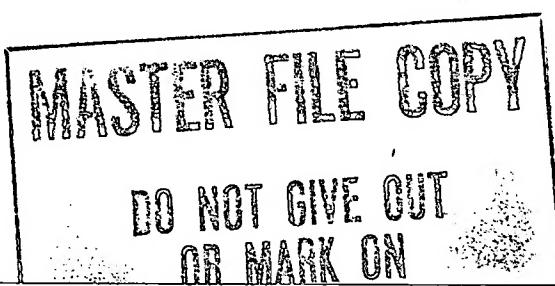
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